

City and County of San Francisco

Office of the Controller – City Services Auditor

BOARD OF SUPERVISORS:

**North Tower Environmental, Inc.
Did Not Use City Funds for
Political Purposes**

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**CONTROLLER'S OFFICE
CITY SERVICES AUDITOR**

The City Services Auditor was created within the Controller's Office through an amendment to the City Charter that was approved by voters in November 2003. Under Appendix F to the City Charter, the City Services Auditor has broad authority for:

- Reporting on the level and effectiveness of San Francisco's public services and benchmarking the city to other public agencies and jurisdictions.
- Conducting financial and performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of processes and services.
- Operating a whistleblower hotline and website and investigating reports of waste, fraud, and abuse of city resources.
- Ensuring the financial integrity and improving the overall performance and efficiency of city government.

The audits unit conducts financial audits, attestation engagements, and performance audits. Financial audits address the financial integrity of both city departments and contractors and provide reasonable assurance about whether financial statements are presented fairly in all material aspects in conformity with generally accepted accounting principles. Attestation engagements examine, review, or perform procedures on a broad range of subjects such as internal controls; compliance with requirements of specified laws, regulations, rules, contracts, or grants; and the reliability of performance measures. Performance audits focus primarily on assessment of city services and processes, providing recommendations to improve department operations.

We conduct our audits in accordance with the Government Auditing Standards published by the U.S. Government Accountability Office (GAO). These standards require:

- Independence of audit staff and the audit organization.
- Objectivity of the auditors performing the work.
- Competent staff, including continuing professional education.
- Quality control procedures to provide reasonable assurance of compliance with the auditing standards.

Audit Team: Elisa Sullivan, Audit Manager
Edwin De Jesus, Associate Auditor



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller

Monique Zmuda
Deputy Controller

October 5, 2007

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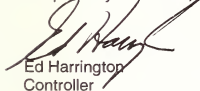
President and Members:

The Office of the Controller (Controller) presents its report concerning the review of North Tower Environmental, Inc. (North Tower), and its compliance with the City and County of San Francisco (City) ordinance prohibiting the use of city funds for political activity. The review revealed that North Tower did not use for political activity any of the \$139,883 of city funds it received under its agreement with the Department of Public Works (Public Works).

We conducted this review to meet the San Francisco Administrative Code (Administrative Code) requirement that the Controller annually audit at least 10 persons or entities that enter contracts, grants or loan agreements with the City. The Controller seeks to ensure that the persons or entities comply with Chapter 12G of the Administrative Code, which prohibits the use of city funds for political activity. The Administrative Code defines political activity as participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure.

North Tower entered a three-year agreement on December 22, 2004, with the City through Public Works to provide as-needed hazardous materials design and oversight services on city projects. The agreement is subject to the City's prohibition on political activity.

Respectfully submitted,



Ed Harrington
Controller

cc: Mayor
Department of Public Works
Civil Grand Jury
Budget Analyst
Public Library

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INTRODUCTION

Audit Authority

Section 12G of the San Francisco Administrative Code (Administrative Code) requires the Office of the Controller to audit annually at least 10 persons or entities that enter contracts, grants, or loan agreements with the City and County of San Francisco (City) to ensure compliance with the prohibition on the use of city funds for political activity.

Background

The prohibition on the use of city funds for political activity became part of the Administrative Code after voters in the City passed Proposition Q on November 5, 2002. The former proposition is now Chapter 12G of the Administrative Code, which defines political activity as participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure. Chapter 12G also requires that all city contracts, grants and loan agreements disclose the prohibition. This year we randomly selected North Tower Environmental, Inc. (North Tower), a corporation engaged in abatement of asbestos and other hazardous materials, as one of our 10 mandated audits.

North Tower entered a three-year agreement on December 22, 2004, with the City, through the Department of Public Works (Public Works), to provide as-needed hazardous materials design and oversight services. Under the agreement, which is subject to the prohibition on political activity, North Tower is to be paid monthly for work that the Director of Public Works concludes has been performed as of the 30th day of the immediately preceding month. North Tower received \$139,883 from the Public Works during the review period of July 1, 2005, through June 30, 2006.

Objective

The purpose of this review was to determine if North Tower inappropriately expended any city funds participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure.

Scope and Methodology

To conduct the review, we first verified that North Tower had an agreement with the City that included the prohibition of using city funds for political activity. We verified all payments that the City made to North Tower from July 1, 2005, through June 30, 2006. We also assessed North Tower's procedures for recording financial transactions and tested selected expenditures. Additionally, we inquired of its officers whether North Tower had spent city or other funds

for purposes related to political activity. Finally, we searched the San Francisco Campaign Finance Database and the State of California's Cal-Access database, which both report campaign contributions, to find any instances where North Tower made political contributions.

We conducted this review in accordance with Generally Accepted Government Auditing Standards. We believe that we adequately planned and performed the review to achieve the objective and that the evidence obtained provides a reasonable basis for our finding and conclusion, as required by these standards.

RESULTS

North Tower Did Not Use City Funds for Political Purposes

North Tower did not use any of the \$139,883 of city funds that it received to participate in, support, or attempt to influence a political campaign for any candidate or ballot measure. During our review of North Tower's records, we found no evidence of expenditures for political activities. Additionally, we obtained written management representation that North Tower had no expenditures related to any political activity. Furthermore, the City's Campaign Finance Database and the State of California's Cal-Access database did not show any evidence that North Tower made any political contributions from July 1, 2005, through June 30, 2006, which was the period we reviewed.



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